

following the effective date of the chapter 13 plan, then the applicable percentage is ten percent. It is the intent of this provision that if the unsecured portion of the mortgagee's claim is partially paid under this provision it should be reconsidered under 502(j) and reduced accordingly.

Section 6. Combating Excessive Fees. Section 6 amends Bankruptcy Code section 1322(c) to provide that the debtor, the debtor's property, and property of the bankruptcy estate are not liable for a fee, cost, or charge that is incurred while the chapter 13 case is pending and that arises from a claim for debt secured by the debtor's principal residence, unless the holder of the claim complies with certain requirements. It is the intent of this provision that its reference to a fee, cost, or charge includes an increase in any applicable rate of interest for such claim. It also applies to a change in escrow account payments.

To ensure such fee, cost, or charge is allowed, the claimant must comply with certain requirements. First, the claimant must file with the court and serve on the chapter 13 trustee, the debtor, and the debtor's attorney an annual notice of such fee, cost, or charge (or on a more frequent basis as the court determines) before the earlier of either: one year of when such fee, cost, or charge was incurred, or 60 days before the case is closed. Second, the fee, cost, or charge must be lawful under applicable nonbankruptcy law, reasonable, and provided for in the applicable security agreement. Third, the value of the debtor's principal residence must be greater than the amount of such claim, including such fee, cost or charge.

If the holder fails to give the required notice, such failure is deemed to be a waiver of any claim for such fees, costs, or charges for all purposes. Any attempt to collect such fees, costs, or charges constitutes a violation of the Bankruptcy Code's discharge injunction under section 524(a)(2) or the automatic stay under section 362(a), whichever is applicable.

Section 6 further provides that a chapter 13 plan may waive any prepayment penalty on a claim secured by the debtor's principal residence.

Section 7. Confirmation of Plan. Bankruptcy Code section 1325 sets forth the criteria for confirmation of a chapter 13 plan. Section 7 amends section 1325(a)(5) (which specifies the mandatory treatment that an allowed secured claim provided for under the plan must receive) to provide an exception for a claim modified under new section 1322(b)(11). The amendment also clarifies that payments under a plan that includes a modification of a claim under new section 1322(b)(11) must be in equal monthly amounts pursuant to section 1325(a)(5)(B)(iii)(I).

In addition, section 7 specifies certain protections for a creditor whose rights are modified under new section 1322(b)(11). As a condition of confirmation, new section 1325(a)(10) requires a plan to provide that the creditor must retain its lien until the later of when: (1) the holder's allowed secured claim (as modified) is paid; (2) the debtor completes all payments under the chapter 13 plan; or (3) if applicable, the debtor receives a discharge under section 1328(b).

Section 7 also provides standards for confirming a chapter 13 plan that modifies a claim pursuant to new section 1322(b)(11). First, the debtor cannot have been convicted of obtain-

ing by actual fraud the extension, renewal, or refinancing of credit that gives rise to such modified claim. Second, the modification must be in good faith. Lack of good faith exists if the debtor has no need for relief under this provision because the debtor can pay all of his or her debts and any future payment increases on such debts without difficulty for the foreseeable future, including the positive amortization of mortgage debt. In determining whether a modification under section 1322(b)(11) that reduces the principal amount of the loan is made in good faith, the court must consider whether the holder of the claim (or the entity collecting payments on behalf of such holder) has offered the debtor a qualified loan modification that would enable the debtor to pay such debts and such loan without reducing the principal amount of the mortgage.

Section 7 further amends section 1325 to add a new provision. New section 1325(d) authorizes the court, on request of the debtor or the mortgage holder, to confirm a plan proposing to reduce the interest rate lower than that specified in new section 1322(b)(11)(C)(ii), provided:

(1) the modification does not reduce the mortgage principal; (2) the total mortgage payment is reduced through interest rate reduction to the percentage of the debtor's income that is the standard for a modification in accordance with the Obama Administration's Homeowner Affordability and Stability Plan, as implemented on March 4, 2009; (3) the court determines that the debtor can afford such modification in light of the debtor's financial situation, after allowance of expense amounts that would be permitted for a debtor subject to section 1325(b)(3), regardless of whether the debtor is otherwise subject to such paragraph, and taking into account additional debts and fees that are to be paid in chapter 13 and thereafter; and (4) the debtor is able to prevent foreclosure and pay a fully amortizing 30-year loan at such reduced interest rate without such reduction in principal. If the mortgage holder accepts a debtor's proposed modification under this provision, the plan's treatment is deemed to satisfy the requirements of section 1325(a)(5)(A) and the proposal should not be rejected by the court.

Section 8. Discharge. Bankruptcy Code section 1328 sets forth the requirements by which a chapter 13 debtor may obtain a discharge and the scope of such discharge. Section 8 amends section 1328(a) to clarify that the unpaid portion of an allowed secured claim modified under new section 1322(b)(11) is not discharged. This provision is not intended to create a claim for a deficiency where such a claim would not otherwise exist.

Section 9. Standing Trustee Fees. Section 9(a) amends 28 U.S.C. 586(e)(1)(B)(i) to provide that a chapter 13 trustee may receive a commission set by the Attorney General of no more than four percent on payments made under a chapter 13 plan and disbursed by the chapter 13 trustee to a creditor whose claim was modified under Bankruptcy Code section 1322(b)(11), unless the bankruptcy court waives such fees based on a determination that the debtor has income less than 150 percent of the official poverty line applicable to the size of the debtor's family and payment of such fees would render the debtor's plan infeasible.

With respect to districts not under the United States trustee system, section 9(b)

makes a conforming revision to section 302(d)(3) of the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986.

Section 10. Effective Date; Application of Amendments. Section 10(a) provides that this measure and the amendments made by it, except as provided in subsection (b), take effect on the Act's date of enactment.

Section 10(b)(1) provides, except as provided in paragraph (2), that the amendments made by this measure apply to cases commenced under title 11 of the United States Code before, on, or after the Act's date of enactment. Section 10(b)(2) specifies that paragraph (1) does not apply with respect to cases that are closed under the Bankruptcy Code as of the date of the enactment of this Act.

Section 11. GAO Study. Section 11 requires the Government Accountability Office to complete a study and to submit a report to the House and Senate Judiciary Committees within two years from the enactment of this Act. The report must contain the results of the study of: (1) the number of debtors who filed cases under chapter 13, during the one-year period beginning on the date of the enactment of this Act for the purpose of restructuring their principal residence mortgages; (2) the number of mortgages restructured under this Act that subsequently resulted in default and foreclosure; (3) a comparison between the effectiveness of mortgages restructured under programs outside of bankruptcy, such as Hope Now and Hope for Homeowners, and mortgages restructured under this Act; (4) the number of appeals in cases where mortgages were restructured under this Act; (5) the number of such appeals where the bankruptcy court's decision was overturned; and (6) the number of bankruptcy judges disciplined as a result of actions taken to restructure mortgages under this Act. In addition, the report must include a recommendation as to whether such amendments should be amended to include a sunset clause.

Section 12. Report to Congress. Not later than 18 months after the date of enactment of this Act, the Government Accountability Office, in consultation with the Federal Housing Administration, must submit to Congress a report containing: (1) a comprehensive review of the effects of the Act's amendments on bankruptcy courts; (2) a survey of whether the types of homeowners eligible for the program should be limited; and (3) a recommendation on whether such amendments should remain in effect.

IN HONOR OF THOMAS WORTHINGTON HIGH SCHOOL GIRLS FIELD HOCKEY

HON. PATRICK J. TIBERI

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 3, 2017

Mr. TIBERI. Mr. Speaker, I rise today to recognize the Thomas Worthington High School Girls Field Hockey Team for winning the Ohio State Field Hockey Tournament.

An achievement such as this certainly deserves recognition. The Ohio High School Athletic Association has enabled talented teams and individuals to earn state titles since its founding in 1907. Throughout this time, the

champions of OHSAA state level competitions have represented the highest achieving and most talented athletes in Ohio. Each year these elite competitors join the long ranks of those who embody Ohio's proud history of athletic success.

The Thomas Worthington Girls Field Hockey Team's victory caps a tremendous season. This sort of achievement is earned only through many hours of practice, perspiration and hard work. They have set a new standard for future athletes to reach. Everyone at Thomas Worthington High School can be extremely proud of their performance.

On behalf of the citizens of Ohio's 12th Congressional District, I congratulate the Thomas Worthington Field Hockey Team on their state championship. I wish them continued success in both athletic and academic endeavors.

INTRODUCTION OF THE PROTECTING EMPLOYEES AND RETIREES IN MUNICIPAL BANKRUPTCIES ACT OF 2017

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 3, 2017

Mr. CONYERS. Mr. Speaker, when a municipality files for bankruptcy, its employees and retirees who have devoted their lives to public service, such as police officers, firefighters, sanitation workers and office personnel, risk having their hard-earned wages, pensions and health benefits cut or even eliminated.

This is why I am introducing the Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017. This legislation strengthens protection for employees and retirees under chapter 9 municipality bankruptcy cases by: (1) clarifying the criteria that a municipality must meet before it can obtain chapter 9 bankruptcy relief; (2) ensuring that the interests of employees and retirees are represented in the chapter 9 case; and (3) imposing heightened standards that a municipality must meet before it may modify any collective bargaining agreement or retiree benefit.

While many municipalities often work to limit the impact of budget cuts on their employees and retirees, as demonstrated in the chapter 9 plan of adjustment approved by Detroit's public employees and retirees, other municipalities could try to use current bankruptcy law to set aside collective bargaining agreements and retiree protections.

My legislation addresses this risk by requiring the municipality to engage in meaningful good faith negotiations with its employees and retirees before the municipality can apply for chapter 9 bankruptcy relief. This measure would also expedite the appellate review process of whether a municipality has complied with this and other requirements. The bill ensures employees and retirees have a say in any plan that would modify their benefits.

SECTION-BY-SECTION EXPLANATION

Sec. 1. Short Title. Section 1 of the bill sets forth the short title of the bill as the "Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017."

Sec. 2. Determination of Municipality Eligibility To Be a Debtor Under Chapter 9 of Title

11 of the United States Code. A municipality can petition to be a debtor under chapter 9, a specialized form of bankruptcy relief, only if a bankruptcy court finds by a preponderance of the evidence that the municipality satisfies certain criteria specified in Bankruptcy Code section 109. In the absence of obtaining the consent of a majority of its creditors, section 109 requires the municipality, in pertinent part, to have negotiated in good faith with its creditors or prove that it is unable to negotiate with its creditors because such negotiation is impracticable.

Section 2(a) of the bill amends Bankruptcy Code section 109 in three respects. First, it provides clear guidance to the bankruptcy court that the term "good faith" is intended to have the same meaning as it has under the National Labor Relations Act, at least with respect to creditors who are employees or retirees of the debtor. Second, section 2(a) revises the standard for futility of negotiation from "impracticable" to "impossible." This change ensures that before a municipality may avail itself of chapter 9 bankruptcy relief, it must prove that there was no possible way it could have engaged in negotiation in lieu of seeking such relief. Third, the amendment clarifies that the standard of proof that the municipality must meet is "clear and convincing" rather than a preponderance of the evidence. These revisions to section 109 will provide greater guidance to the bankruptcy court in assessing whether a municipality has satisfied the Bankruptcy Code's eligibility requirements for being granted relief under chapter 9.

Bankruptcy Code section 921(e), in relevant part, prohibits a bankruptcy court from ordering a stay of any proceeding arising in a chapter 9 case on account of an appeal from an order granting a municipality's petition to be a debtor under chapter 9. Section 2(b) strikes this prohibition, thereby allowing a court to issue a stay of any proceeding during the pendency of such an appeal. This ensures that the status quo can be maintained until there is a final appellate determination of whether a municipality is legally eligible to be a chapter 9 debtor.

Typically, an appeal of a bankruptcy court decision is heard by a district or bankruptcy appellate panel court. Under limited circumstances, however, a direct appeal from a bankruptcy court decision may be heard by a court of appeals. Until a final determination is made as to whether a municipality is eligible to be a debtor under chapter 9 of the Bankruptcy Code, the rights and responsibilities of numerous stakeholders are unclear. To expedite the appellate process and promote greater certainty to all stakeholders in the case, section 2(c) of the bill allows an appeal of a bankruptcy court order granting a municipality's petition to be a chapter 9 debtor to be filed directly with the court of appeals. In addition, section 2(c) requires the court of appeals to hear such appeal de novo on the merits as well as to determine it on an expedited basis. Finally, section 2(c) specifies that the doctrine of equitable mootness does not apply to such an appeal.

Sec. 3. Protecting Employees and Retirees. The chapter 9 debtor must file a plan for the adjustment of the municipality's debts that then must be confirmed by the bankruptcy court if it satisfies certain criteria specified in Bankruptcy Code section 943. Section 3 of the bill makes several amendments to current law

intended to ensure that interests of municipal employees and retirees are better protected. With respect to plan confirmation requirements, section 3 amends Bankruptcy Code section 943 to require consent from such employees and retirees to any plan that impairs—in a manner prohibited by nonbankruptcy law—a collective bargaining agreement, a retiree benefit, including an accrued pension, retiree health, or other retirement benefit protected by state or municipal law or as defined in Bankruptcy Code section 1114(a).

Such consent would be conveyed to the court by the authorized representative of such individuals. Subject to certain exceptions, section 3 specifies that the authorized representative of individuals receiving any retirement benefits pursuant to a collective bargaining agreement is the labor organization that signed such agreement unless such organization no longer represents active employees. Where the organization no longer represents active employees of the municipality, the labor organization that currently represents active employees in that bargaining unit is the authorized representative of such individuals.

Section 3 provides that the exceptions apply if: (1) the labor organization chooses not to serve as the authorized representative; or (2) the court determines, after a motion by a party in interest and after notice and a hearing, that different representation is appropriate. Under either circumstance, the court, upon motion by any party in interest and after notice and a hearing, must order the United States Trustee to appoint a committee of retired employees if the debtor seeks to modify or not pay the retiree benefits or if the court otherwise determines that it is appropriate for that committee to be comprised of such individuals to serve as the authorized representative.

With respect to retired employees not covered by a collective bargaining agreement, the court, on motion by a party in interest after notice and a hearing, must order the United States Trustee to appoint a committee of retired employees if the debtor seeks to modify or not pay retiree benefits, or if the court otherwise determines that it is appropriate to serve as the authorized representative of such employees. Section 3 provides that the party requesting the appointment of a committee has the burden of proof.

Where the court grants a motion for the appointment of a retiree committee, section 3 requires the United States Trustee to choose individuals to serve on the committee on a proportional basis per capita based on organization membership from among members of the organizations that represent the individuals with respect to whom such order is entered. This requirement ensures that the committee, in a case where there are multiple labor organizations, fairly represents the interests of the members of those various organizations on a proportional basis.

Finally, section 3 of the bill imposes a significant threshold that must be met before retiree benefits can be reduced or eliminated. Current law has no such requirement. In a case where the municipality proposes in its plan to impair any right to a retiree benefit, section 3 permits the committee to support such impairment only if at least two-thirds of its members vote in favor of doing so.